

## Key governance responsibilities

26.3 The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		<input type="checkbox"/>
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		<input type="checkbox"/>
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, as set out in section 126 of the MFMA.	<input type="checkbox"/>	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The Municipality had an audit committee in operation throughout the financial year.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>		<input type="checkbox"/>
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		<input type="checkbox"/>
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The Municipality had an internal audit function in operation throughout the financial year.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		<input type="checkbox"/>
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		<input type="checkbox"/>
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		<input type="checkbox"/>
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		<input type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		<input type="checkbox"/>
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used, as set out in section 62(1)(c)(i) of the MFMA.		<input type="checkbox"/>

No.	Matter	Y	N
12.	Delegations of responsibility are in place, as set out section 79 of the MFMA.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	<input type="checkbox"/>
14.	SCOPA resolutions have been substantially implemented.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	<input type="checkbox"/>	<input type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	<input type="checkbox"/>	<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the eDumbe Municipality against its mandate, predetermined objectives, outputs, indicators and targets, as set out in section 68 of the MFMA.	<input type="checkbox"/>	<input type="checkbox"/>
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	<input type="checkbox"/>

26.4 The financial statements were not reviewed by the chief financial officer and the audit committee before submission for audit. The key officials were available to acknowledge requests during the audit period, however, requests for information and responses to exceptions were not honoured as per the agreed upon timeframes. Furthermore, the municipality did not comply with effective management of risk, good internal control and governance practices.

## 27. Investigations

27.1 During the period under review, the municipality discovered that monies receipted were not being banked. An investigation in this regard, is in progress.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### 29. Report on performance information

29.1 I was engaged to review the performance information.

### 30. The accounting officer's responsibility for the performance information

30.1 In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### 31. The Auditor-General's responsibility

31.1 I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.



31.2 In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

32.2 I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

## **32. Findings on performance information**

### **No reporting of performance information**

32.1 The eDumbe Municipality has not reported performance against predetermined objectives, as required by section 46 of the MSA and section 121(3)(c) of the MFMA.

## **33. Existence and functioning of a performance audit committee**

33.1 The eDumbe Municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations of 2001.

## **34. Internal auditing of performance measurements**

34.1 The eDumbe Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by section 45 of the MSA.

The performance Management System will be implemented in the 2009/2010 as a compliance issues and all aspects pertaining to performance will be addressed through the evaluation criteria contained in the Performance Management System.

## **APPRECIATION**

The assistance rendered by the staff of the eDumbe Municipality during the audit is sincerely appreciated.

Pietermaritzburg

27 November 2009



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **RESPONSES ON THE FINANCIAL STATEMENTS**

### **4. Payables**

#### **4. Response**

The creditor balances have been reviewed and a report has been presented to Council in this regard. After interrogation, it has been found that these amounts have been carried down from previous years and that there is no basis for carrying these amounts, and as Council has resolved per resolution 5/15/1/1 18 November 2009.

Corrective Action:- These amounts journal entries will be written off to rectify these amounts in the 2009/2010 financial year.

### **5. Value-added Taxation (VAT) payables**

#### **5. Response**

The amounts reflected on the accounting records will require a review. The returns have been submitted on the basis that the amounts were allowable (per SARS).

Corrective Action: A thorough reconciliation of the VAT Accounts will be undertaken to establish the true VAT payable/receivable. The results of the review will be corrected in the 2009/2010 financial year.

### **6. Cash and cash equivalents**

#### **6. Response**

Due to the problems experienced with the financial system, the cash book has now been reconciled to the Bank Statement and the reconciling items totalling R 10,93 million have to be actioned. This reconciled balance will be reflected in the carrying amounts on the new system as this was omitted on brought forward figures on the reports of the old system.

Corrective Action: Council has implemented a new financial system and the cash book/bank will be reconciled on a monthly basis and authorised by the CFO.

### **7. Receivables**

#### **7. Response**

These amounts have been carried over from previous years. A review was done and Council resolved to write off R19 003 623 per resolution 5/15/1/1 18 November 2009

Corrective Action: A journal will be processed rectifying this query.

### **8. Property, plant and equipment**

#### **8. Response**

It is envisaged that the full revaluation of all assets will be undertaken in the 2009/2010 financial year and that all assets will be verified and adjustments to the accounting records will be made to correctly reflect the carrying values of all the Municipality's assets. The assets register will be amended to include all disposals and additions. Included in the file containing the assets register will be the invoices and supporting documents for any additional assets purchased and these will be disclosed appropriately in the future.



**9. Fruitless and wasteful expenditure**

**9. Response**

This was an oversight, however any fruitless expenditure (should there be any instance) will be reported to Council and be disclosed in the annual financial statements in the future.

**10. Reserves**

**10. Response**

It was reported to Audit that the differences are as a result of historical errors which were investigated and will be adjusted under authority of Council.

Corrective Action: These votes will be reviewed and the correct amounts will be carried as part of the take on balances in the Abakus system.

**11. Revenue**

**11. Response:**

This will be investigated and any discrepancies will be adjusted accordingly and reported to the Audit Committee/Council.

**12./13. Response:**

In the old system this was not recorded under a separate line item.

Corrective Action: This is now been recorded separately in the new system.

**14. Response**

The disclosures will be corrected and the correct amounts will be recorded in the carrying amounts in the new system.

**15. Response**

It was reported to Audit that the basis for the preparation of the Annual Financial Statements was the Trial Balance and that no checks were undertaken to establish if the General Ledger had votes or values not consistent with the Trial Balance.

However this will be investigated and the differences will be adjusted when taking on the final balances in the new system.

**16. Response**

At the time of preparing the Financial Statements, information pertaining to Contingent liabilities was requested for the Grant commitments only. It was unclear whether there were other potential liabilities for the Municipality/Council. These will be interrogated and will be disclosed should these liabilities not be concluded in the 2009/2010 financial year.

Corrective Action: Contingent liabilities will be confirmed with Council's attorney's in future.

## **22. Municipal Finance Management Act**

### **22. Responses**

Due to lack of staff capacity this was not performed in the past.

Corrective action: These control votes are now been reconciled on monthly basis.

**23. the municipality's website was not updated with the required information, as required by section 75 of the MFMA.**

### **23. Responses:**

As explained to the auditors part of this information had been updated and the Municipalities IT section is attending to the updating of all information that is required by section 75 of the MFMA.

## **23. Municipal Systems Act**

### **24. Response**

1. Advertisement detail duties.
2. Section 57 Managers receive an all inclusive package.
3. Renewal is decided by Council. When Council decides to renew employment contract then Agreement is signed.

## **27. Key governance responsibilities**

27. (Responses/ Corrective Action are needed for the "No" answers in these paragraphs too. Compliance issue)

## **28. Investigations**

(Responses/ Corrective Action are needed for this paragraph too.)

## **32-34. Response**

The municipality will make it a point that does comply with MFMA, Systems Act etc.

## CORPORATE SERVICES

### INTRODUCTION

This covers the period July 2008 to June 2009. The activities of the department are determined by the dictates of the annual budget, the Integrated Development Plan and staff complement. The department consists of the following sections:

- ✓ *Administration and Legal Matters*
- ✓ *Tourism*
- ✓ *Public Safety*
- ✓ *Information Technology and*
- ✓ *Public Participation*

### Administration and Legal Matters

In this department records are stored by means of a manual system. These mainly involve correspondence, reports and operating papers. Control of access is maintained by staff. Shortcomings in the records management have been identified and will be addressed with the help of uLundi Archives Repository, KZN Department of Arts & Culture.

At present we have someone in our department who has a Law degree but who is being used as a Committee Clerk whom I presume is qualified to handle legal matters for the municipality. We are currently outsourcing legal services it may be a decision we need to revisit.

### Tourism

éDumbe Municipality has appointed a Tourism Officer who runs the information office. The function of this office is the marketing and promotion of éDumbe as a tourist destination. It also encourages residents to visit local places of interests. School groups and international tourists use this office to obtain information on places to visit and co-ordinates contact with registered tour guides resident in the municipality.

## PUBLIC SAFETY

### TRAFFIC SECTION

VIOLATION	TOTAL	AMOUNT
Speed	167	R181'300.00
Safety belt	169	R52'400.00
Tyres	53	R15'900.00
No driver's license	172	R177'500.00
No PrDP	47	R35,000.00
Hooter	16	R3'200.00



Park brake	32	R16'000.00
Unlicensed motor vehicles	162	R105'650.00
Transporting passengers unsafely	4	R1'200.00
Park facing oncoming traffic	32	R3'821.00
No entry sign	33	R12'800.00
Windscreen	7	R7'000.00
Fail to display license disc	66	R13'850.00
Fail to carry driver's license	132	R38'000.00
Allow animals on public road	0	0
Defective tail lamps	71	R22'900.00
Caused obstruction	3	R1,100.00
Red robot	4	R7'000.00
Other	421	R241'150.00
<b>TOTAL FINES WRITTEN</b>	<b>1591</b>	<b>R935'771.00</b>
<b>TOTAL FINES PAID</b>		<b>R335'135.00</b>

#### GENERAL

- ✓ Traffic officer Mr. MB Khuzwayo passed away in January 2009; the staff from e'Dumbe Municipality attended his funeral in Durban.
- ✓ Three traffic wardens passed their examination in Boekenhootkloof Traffic Training College, they are now qualified traffic officers, and their pass out parade was on 26 June 2009. The Chief Traffic Officer attended the ceremony to receive their diplomas. (Photo's for the ceremony are available)
- ✓ Two new traffic wardens were employed by e'Dumbe Municipality. They will under go training in 2010 in Traffic College.

#### TESTING SECTION

FUNCTION	TOTAL	AMOUNT
Drivers license application	743	R161'145.00
Drivers tested	481	
Driver's licenses passed	89	
Learners licenses applications	1344	R167'105.00
Learners licenses tested	1128	